

Message Text

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TO AMEMBASSY TOKYO PRIORITY

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E.O. 11652: N/A

TAGS: ETRD, JA

SUBJECT: TRADE FACILITATION COMMITTEE: BOEING MARINE
SYSTEMS (GOJ SHIP CERTIFICATION INSPECTION PROCEDURES)

1. SUMMARY: USDOC DEVELOPING POTENTIAL CASE CONCERNING
SHIP BUREAU, MINISTRY OF TRANSPORT PROCEDURES FOR INSPECT-
ING FOREIGN CONSTRUCTED VESSELS FOR JAPANESE CERTIFICATION,
WHICH APPEAR TO PLACE FOREIGN (INCLUDING U.S.) SUPPLIERS
AT COMPETITIVE DISADVANTAGE. EMBASSY REQUESTED TO CONTACT
SHIP BUREAU AND BOEING REPRESENTATIVE, TOKYO, AND CORRO-
BORATE FACTS, AS WELL AS ASCERTAIN POSSIBLE ARRANGEMENTS
UNDER WHICH INSPECTION WHILE UNDER CONSTRUCTION IN U.S.
CAN BE ARRANGED. END SUMMARY

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2. SADO KISEN KAISHA (SKK) A COMPANY OPERATING FERRY
SERVICES IN NIIGATA, PURCHASED ITS FIRST BOEING JETFOIL
HYDROFOIL IN 1976 AND BEGAN SERVICE BETWEEN NIIGATA CITY
AND SADO ISLAND OFFSHORE ON MAY 1, 1977. BASED ON SUCCESS
WITH FIRST BOAT, SKK PURCHASED ITS SECOND JETFOIL IN APRIL,
1977 FOR DELIVERY IN 1978.

3. SHIP BUREAU CONDUCTED ITS DESIGN REVIEW AND INSPECTION OF FIRST JETFOIL AFTER ITS ARRIVAL IN JAPAN. ACCORDING

TO BOEING, NORMALLY THIS TYPE OF INSPECTION WOULD BE CONDUCTED BY SHIP BUREAU DURING THE CONSTRUCTION OF THE BOAT ON OVERSEAS SITE. BECAUSE THE JETFOIL IS ONE OF THE FIRST FOREIGN BUILT VESSELS PURCHASED IN JAPAN FOR DOMESTIC PASSENGER USE, AND DUE TO THE SHORT TIME BETWEEN THE PURCHASE COMMITMENT AND DELIVERY TO JAPAN, THE SHIP BUREAU HAS NOT BUDGETED FOR THE EXPENSE OF SENDING ITS PERSONNEL OVERSEAS TO PERFORM THE INSPECTION. IN THE CASE OF THE FIRST JETFOIL, INSPECTION IN JAPAN NECESSITATED THAT BOEING SEND FULL CREW, ENGINEERS, SUBCONTRACTORS' REPRESENTATIVES AND OTHER PERSONNEL TO JAPAN FOR SUBSTANTIAL PERIOD OF TIME. PORTIONS OF BOAT HAD TO BE DISASSEMBLED FOR INSPECTION, MODIFICATIONS UNDERTAKEN IN JAPAN, AND SUBSTANTIAL TIME CONSUMED OBTAINING ADDITIONAL TECHNICAL INFORMATION AND DATA FROM THE U.S. TO RESPOND TO JAPANESE INSPECTORS' REQUIREMENTS. BOEING ESTIMATES THAT APPROXIMATELY U.S. DOLLARS 150 TO 200 THOUSAND ADDITIONAL COSTS ENSUED FROM THIS PROCEDURE, AS WELL AS SIGNIFICANT TIME LOST.

4. ACCORDING TO BOEING, ALL PARTIES INVOLVED, SHIP BUREAU PERSONNEL, SKK AND BOEING, AGREED THAT CERTAIN REVIEW AND INSPECTION ACTIVITIES COULD BE BEST PERFORMED ON THE SITE UNCLASSIFIED

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OF THE JETFOIL'S CONSTRUCTION IN RENTON, WASHINGTON. THIS WOULD PERMIT INSPECTION OF SKK'S SECOND JETFOIL, AS WELL AS EXAMINATION OF OTHER JETFOILS IN VARIOUS STAGES OF PRODUCTION, AND ALSO INSPECTION OF COMPONENT SUBCONTRACTORS PRODUCTION FACILITIES. SHIP BUREAU STATES; HOWEVER, THAT SINCE NO FUNDS BUDGETED FOR TRAVEL, SECOND JETFOIL WILL ALSO HAVE TO BE BROUGHT TO JAPAN FOR INSPECTION. BOEING PREPARED TO UNDERWRITE COSTS OF TRAVEL AND LODGING FOR JAPANESE INSPECTORS TO CONDUCT INSPECTION AT RENTON, BECAUSE OF ULTIMATE SAVING OF TIME AND MONEY. SHIP BUREAU TAKES POSITION THAT PRIVATE FUNDING OF INSPECTION TRAVEL NOT RPT NOT APPROPRIATE.

5. JAPANESE PRACTICE DIFFERS FROM U.S. CERTIFYING AUTHORITY, U.S. COAST GUARD MERCHANT VESSEL INSPECTION (USCG-MVI), WHICH HAS PERSONNEL STATIONED ABROAD IN MAJOR SHIPBUILDING CENTERS TO HANDLE INSPECTIONS FOR U.S. OWNERS ON SITE. UNDER MOST CIRCUMSTANCES INSPECTIONS CONDUCTED ON ROUTINE BASIS WITH FORMAL CONTRACT BETWEEN OWNER AND USCG, AT USCG EXPENSE. IN CERTAIN CIRCUMSTANCES USCG-MVI MAY PERMIT, OR EVEN REQUIRE, OWNER OF VESSEL TO BEAR TRANSPORTATION COSTS OF INSPECTOR; HOWEVER, USCG STILL COVERS

PER DIEM EXPENSES. BOEING INDICATES THAT SIMILAR PRACTICE FOLLOWED BY SUCH OTHER MAJOR MARATIME NATIONS AS U.K. AND DENMARK.

6. FYI: IT APPEARS THAT JAPANESE PRACTICE PLACES U.S. SUPPLIERS AT A COMPETITIVE COST DISADVANTAGE TO DOMESTIC JAPANESE SHIPBUILDERS. IT MAY BE APPROPRIATE REQUEST JAPANESE THROUGH TRADE FACILITATION COMMITTEE TO AT LEAST ADOPT PRACTICE PARALLELING THAT OF USCG WITH RESPECT TO PRIVATE FUNDING OF INSPECTION TRAVEL. ADDITIONALLY, BOEING INDICATES IT BELIEVES SHIP BUREAU MAY ACCEPT ARRANGEMENT IN WHICH U.S. GOVERNMENT ENTITY MIGHT ACT AS SPONSOR AND CHANNEL OF FUNDS TO INSPECTORS TO ELIMINATE DIRECT SUBSIDY OF INSPECTION TRIP BY BOEING.
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7. ACTION REQUESTED. REQUEST EMBASSY CONTACT SHIP BUREAU AND OBTAIN CLARIFICATION THEIR PRACTICES REGARDING ON SITE FOREIGN INSPECTION. ALSO CONTACT MR. CYRUS VARNUM, BOEING MARINE SYSTEMS REPRESENTATIVE NOW IN TOKYO, WHO STAYING AT NEW OTANI. EMBASSY ALSO REQUESTED ASCERTAIN FROM SHIP BUREAU POSSIBLE ARRANGEMENTS UNDER WHICH INSPECTORS COULD VISIT RENTON SHIPYARD TO INSPECT SECOND SKK JETFOIL. WOULD APPRECIATE EMBASSY'S VIEWS ON WHETHER OR NOT THIS CASE APPROPRIATE FOR TFC. VANCE

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